

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SAJ-01 SP-02 AID-05 EB-07 NSC-05

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TO SECSTATE WASHDC 2457

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TAGS: ETRD EG UR

SUBJECT: SOVIET-EGYPTIAN TRADE AGREEMENT

1. EGYPT AND USSR SIGNED 1975 PROTOCOL OF BASIC 1963 TRADE AGREEMENT ON FEB 27 IN MOSCOW, ESTABLISHING NEW LEVEL OF TRADE BETWEEN TWO COUNTRIES AT LE 334 MILLION (650 MILLION RUBLES), AN ANNOUNCED 8 PERCENT INCREASE OVER AMOUNTS SET FOR LAST YEAR. DETAILS WERE NOT MADE AVAILABLE, BUT PRESS ARTICLES INDICATE THAT COMMODITIES COVERED ARE MAINLY AS BEFORE; EGYPTIAN COTTON AND CITRUS IN EXCHANGE FOR SOVIET INDUSTRIAL GOODS.

2. GOD'S MINISTER OF TRADE, FATHY EL MATBOULI, WHO SIGNED FOR EGYPT, IS QUOTED AS SAYING THAT, ALTHOUGH AGREEMENT IS MOST IMPORTANT TRADE PACT EVER SIGNED BETWEEN TWO COUNTRIES, CERTAIN PROBLEMS STILL REMAIN, NOTABLY THE QUESTION OF CREDITS AND EGYPTIAN-SOVIET TRADE DURING COMING FIVE YEAR PLAN (1976-80).

3. COMMENT : EGYPT'S DEPENDENCE ON BILATERAL TRADING ARRANGEMENTS WITH BLOC COUNTRIES HAS BEEN DECLINING OVER

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RECENT YEARS, PARTLY AS RESULT OF INCREASES IN WORLD

PRICES FOR COMMODITIES EXCHANGED (MOSTLY COTTON), AND
DESIRE TO ACQUIRE HARD CURRENCIES WHERE POSSIBLE FOR ALL
EXPORTS. (IMF HAS ALSO BEEN URGING REDUCTION IN BILATERALISM.)
INCREASE IN 1975 TRADE PROTOCOL OVER 1974 CAN EASILY BE
ABSORBED BY INFLATION ALONE, AND MAY NOT INFACt REPREStNT
AN INCREASE IN VOLUME OF GOODS EXCHANGED.

4. IN LATE 60'S AND EARLY 70'S EGYPT HAD FAIRLY MASSIVE
NEGATIVE CLEARING BALANCE WITH USSR , REACHING NEARLY
LE 60 MILLION IN 1971. BY END OF 1973, A LE 2 MILLION
SURPLUS HAD BEEN ACHIEVED, REFLECTING SHARP INCREASE IN
WORLD COTTON PRICES. IN PRESENT CIRCUMSTANCES, WITH
COTTON PRICES CONSIDERABLY DEPRESSED, IT IS DOUBTFUL THAT
SURPLUS BALANCE CAN BE MAINTAINED.

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